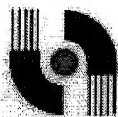


MULTIMEDIA



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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BAC4634 – CORPORATE ACCOUNTING II

(All sections / Groups)

26 OCTOBER 2017

2.30 p.m - 5.30 p.m

(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 6 (excluding cover page) pages with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

White Berhad, a Malaysian listed company, acquired a 70% holding in Yellow Ltd. Yellow Ltd is located in Australia where the local currency is the Australian Dollar (AUD\$). On the date of acquisition, several years ago, the rate of exchange was AUD\$12 to RM1 and the retained earnings of Yellow Ltd was AUD\$120,000.

The functional currency of White Berhad is Ringgit Malaysia while Yellow Ltd is Australian Dollar.

The followings are the statement of financial position of White Berhad and Yellow Ltd at 31 December 2016:

	White Berhad	Yellow Ltd
	RM	AUD\$
Ordinary shares	500,000	1,000,000
Retained earnings	1,016,000	478,400
	<u>1,516,000</u>	<u>1,478,400</u>
Properties		
Cost	560,000	480,000
Accumulated depreciation	(56,000)	(217,600)
Motor vehicles		
Cost	548,000	183,000
Accumulated depreciation	(216,000)	(77,000)
Investment in subsidiaries	140,000	-
Inventories	660,000	750,000
Bank	674,000	758,000
Payables	(794,000)	(398,000)
	<u>1,516,000</u>	<u>1,478,400</u>

The followings are the statement of profit or loss and comprehensive income of White Berhad and Yellow Ltd at 31 December 2016:

	White Berhad	Yellow Ltd
	RM	AUD\$
Profit before taxation	794,000	460,000
Taxation	400,000	218,000
	<u>394,000</u>	<u>242,000</u>

The followings are the rate of exchange:

	AUD\$ to RM
1 January 2016	11
Average 2016	10
31 December 2016	9

The non-controlling interest is calculated using the proportionate share of the identifiable net assets.

Continued ...

Required:

In accordance with MFRS121: *The Effects of Changes in Foreign Exchange Rates*:

- i) Prepare a consolidated statement of financial position as at 31 December 2016, together with a consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

(22 marks)

- ii) Prepare the reconciliation of exchange difference.

(3 marks)

(Total: 25 marks)

QUESTION 2**Part A**

Purple Berhad engages in the business of manufacturing electrical products in Malaysia. The production of the electrical products require the company to acquire several high technology machineries. Purple Berhad has a cash-generating unit comprising plant and equipment as well as associated purchased goodwill.

On 31 December 2013, the cash generating unit becomes impaired because of the rapid technological changes and the customers' demand for the electrical products drops. The recoverable amount of the cash generating unit declines to RM120 million, causing an impairment loss of RM160 million, allocated as follows:

	Carrying amounts before impairment RMmillion	Carrying amounts after impairment RMmillion
Goodwill	80	-
License (with no market value)	40	-
Plants and machineries	160	120
	<u>280</u>	<u>120</u>

On 31 December 2016, the demand of the electrical products increases, and the recoverable amount of the cash generating unit increases to RM90 million. The carrying amount of the plants and machineries had the impairment not occurred would have been RM140 million.

Required:

In accordance with the MFRS 136: *Impairment of Assets*, explain how the increase in the demand of electrical products should be recognized and measured on 31 December 2016.

(10 marks)

Continued ...

Part B

Orange Berhad, a Malaysian listed company, granted the employees the right to choose either 30,000 shares or the cash equivalent of 20,000 shares (phantom shares).

The following are the fair values of the shares:

Date	Fair value RM
1.1.2014	10
31.12.2014	14
31.12.2015	24
31.12.2016	36

The vesting period was two years. If the staff select the equity option, the shares need to be kept for three years. On the vesting date, the employees choose the cash alternative.

Orange Berhad estimated that the fair value of the share alternative on grant date would be RM8 per share.

Required:

In accordance with MFRS2: *Share-based Payments*;

- i) Prepare the extracts of statement of financial position and statement of profit or loss year 2014 and 2015. Show all workings. (10 marks)
- ii) Prepare the journal entries to record the above transactions. (5 marks)

(Total: 25 marks)

QUESTION 3**Part A**

Red Berhad, a listed company, provides defined benefit scheme for the employees. The information on assets and liabilities of the defined benefit plan of Red Berhad for two years are as follows:

	2015 RM'000	2016 RM'000
Current service cost	250	280
Benefits paid	260	300
Contributions paid	160	180
Present value of the obligation at 31 December	2,430	2,772
Fair value of the plan assets at 31 December	2,294	2,274
Discount rate	9%	8%

Continued ...

The present value of the obligation and the fair value of the plan assets were both RM2 million at 1 January 2015.

Due to the restructuring in December 2016, there were redundancies on the number of employees. Therefore, the pension scheme for these employees was curtailed and the employees took the option to transfer their benefits to their new employers.

Consequently, Red Berhad transferred plan assets amounting to RM54,000 to the new employers' pension schemes in full settlement of the employees' pension entitlements. This settlement reduced the pension obligation of Red Berhad by RM62,000. The settlement has not been recorded in the 2016 account.

Required:

In accordance with MFRS119: *Employee Benefits*,

- i) Calculate the present values of the obligation and the fair values of the plan assets for year 2015 and 2016. Determine the actuarial gain or loss for year 2015 and 2016.
(13 marks)
- ii) Prepare the extract of the statement of financial position for year 2015 and 2016.
(2 marks)
- iii) Prepare the extract of the statement of profit or loss comprehensive income for year 2015 and 2016.
(5 marks)

Part B

Black Berhad, a Malaysian listed company, has investment properties that are accounted for using the fair value model. In addition, Black Berhad own a building that has no depreciation and did not enjoy capital allowances.

In accordance with MFRS112: *Income taxes*, provide your advice on how would the surplus on revaluation of these assets affect the measurement of deferred tax.

(5 marks)

(Total: 25 marks)

Continued...

QUESTION 4**Part A**

The accountant of Green Berhad, Mr Alex, is preparing the financial statements for year 2016. He is facing two issues which are:

- a) he is unsure on how the transaction costs should be recognized and measured for the financial instrument.
- b) Green Berhad is concerned about the risk of raw material prices expected to increase. It plans to cover the risk about future costs increasing over the next two years. Green Berhad entered into a future contract. The fair value as at 31 December 2016 was RM24 million. At year-end, the prices of raw material have increased by RM22 million.

Required:

In compliance with the MFRS9: *Financial Instruments* and MFRS139: *Recognition and Measurement*, provide your advice to Mr Alex on these two issues.

(10 marks)

Part B

You are the accountant of Grey Berhad, a Malaysian listed company. In year 2016, the board of directors decided that the company should prepare the interim reports for the period ended 30 June 2016. The investors wanted to know the impacts of the transactions as at 30 June 2016 on the interim profit. The financial year-end is 31 December 2016.

The transactions as at 30 June 2016 are as follows:

- a) In year 2016, the cost of inventories was RM850,000. The net realizable value on 30 June 2016 was RM700,000. On 31 December 2016, the inventories had a realizable value of RM900,000.
- b) Grey Berhad has a subsidiary, Light Sdn Bhd. The subsidiary was expected to declare dividends for the year ended 31 December 2015 on 1 April 2016. However, the subsidiary declared it on 1 August 2016.
- c) Grey Berhad has a foreign currency receivable of AUD\$40,000. It was recorded at spot rate of RM1:AUD\$0.50. The closing rate at 30 June 2016 was RM1:AUD\$0.40 and the ringgit was expected to appreciate in the half to RM1:AUD\$0.45.

Continued...

- d) Grey Berhad uses 20% rate of depreciation to calculate depreciation, applying the straight line method. The cost of the non-current assets at 30 June was RM50 million. Grey Berhad planned to acquire addition machineries for RM20 million on 1 May 2016 but it was postponed to 1 September 2016.
- e) In April 2016, Grey Berhad spent RM4 million on development expenditure. As at 30 June 2016, the recognition criteria for the development expenditure were not met. It was on 1 August 2016 that the recognition criteria were met.

Required:

As Grey Berhad's accountant:

- i) In compliance with MFRS134: *Interim Financial Reporting*, analyze the financial information and explain to the directors on how the above items should be recognized and measured in the interim report for the period ended 30 June 2016.
- (10 marks)
- ii) Recommend to the investors on the impacts of the recognition and measurement of your answers in (i) on the interim profit.

(5 marks)

(Total: 25 marks)

End of Page